

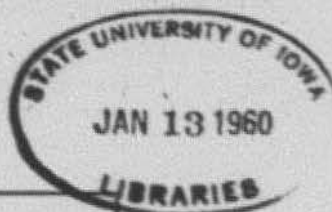
# ECONOMIC COUNCIL LETTER

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## Listen, Fellow-Citizens!



There is little danger the Soviets will achieve military victory over the United States. But there is great danger they will take us over from within. At our invitation, an outstanding political observer has written the following description of the political sickness of our cities.

**R**ECENTLY Mrs. Roosevelt came to Washington to be given a triumphal tour of the slum areas of Washington. She was billed as the leading spirit in the successful attack by the New Dealers on slums in the Government's own back yard.

Unfortunately this billing left out a few facts. The first dramatic statement of the evils of Washington slums was made by President Theodore Roosevelt, not Franklin.

A Federal program for remodeling the slums was well under way when the second Roosevelt was inaugurated. This, the Alley Dwelling Authority, was under the direction of John Ihlder, who had a quaint idea that slums could be remodelled into decent housing, *without subsidy*, if those who did the work had a sense of design, and a knowledge of costs.

Another omission from the rosy picture of Eleanor Roosevelt, the fairy-godmother of housing for the poor, was the little noted fact, that when the Wagner Housing Act was passed under President Roosevelt, the Alley Dwelling Authority was told that it must make no more improvements of slum areas unless they were subsidized. Federal subsidies for housing were given priority over good housing at minimum cost.

This slight redrawing of the picture of the Angel of the Slums is necessary if we are to understand what is happening to our cities today. It is still difficult for Americans to believe—what Europeans have long known—one of the chief functions of a governmental bureaucracy is to select those parts

of the truth which are favorable to governmental intervention and to leave unmentioned those truths which do not support increased governmental power. The bigger Big Government gets, of course, the easier it becomes for government to control the source of news. The harder it gets for the voters to learn the truth.

Federal Authority is now intervening in the life of our cities in many disturbing ways. It is still the intention of the supporters of Big Government to expand their beach-heads wherever possible. Many local officials will be eager for the next round of gifts from Federal sources. The people will pay later, but it is important to remember that, before the tax bills come in, the original office holders will have moved on, scot-free, to the Senate or other high office.

The crisis that confronts the cities must be met by better answers than Federal aid unless we are prepared to accept the conversion of our free cities into sub-provinces of a centralized government much like the bureaucratically ruled provinces of the French kings.

**T**HE Federal Government began actively interfering politically in our cities in 1933. "Relief" was an innocent sounding word covering many kinds of political intervention. We cannot understand the political role of Federal aid unless we see in how many ways relief spending affected the governing of our cities. These expenditures gave the mayors Federal sources of revenue for their own house-

keeping expenses — repair of public buildings, city streets, welfare, housing, budget-balancing. The mayors who were saved the need for incurring deficits or raising more taxes in hard times were not ungrateful. They achieved a reputation for economy and efficiency because the Federal Government met a goodly share of their budgets in the name of relief. They were glad to come to Washington to tell Congress it must appropriate more funds for the relief agencies.

This is not old stuff. The people of our cities are paying every day in a score of unnoted ways for this shift in the financing of city services from self-taxation and self-support to reliance on the tin cup of Federal aid. A simple example—the soaring figures on welfare grants to mothers with two, three, or even six or more illegitimate children. Once the Federal Government gave money for welfare, it set welfare policy. It set all policies with the widest possible intake pipes, and there they are today.

In economic matters the policy of the Roosevelt Administration was extremely harmful to the cities. Roosevelt's high price doctrines stopped the recovery in building which had started up in 1933, as it always does when prices fall. The arbitrary raising of prices by NRA, AAA and gold devaluation, was especially injurious to the cities.

The New Deal was also hostile to the stock market, to financial operations generally, and—at that time—to international trade. A large volume of employment in the cities depended on prosperous conditions in finance and trade. New York City was a "depressed area" in the thirties, arbitrarily kept in an artificial depression by Federal policies.

Federal relief spending was in fact a sop thrown to the cities, so their officials would support the New Deal, even though their economic foundations were being allowed to rot. If we understand this formula for the thirties it will help us understand what is going to happen in the sixties. In a spending government, appearances must be constantly changed, but the realities of power are always the same.

Ask yourself—how would you have continued Federal subsidies to the cities after the war, when Federal relief was as dead as the dodo? It is easy, if you remember the "why's." It does not matter who is helped or how, so long as plenty of money can be spent. The war had conditioned Americans to billions in place of millions. Such a glorious opportunity the spenders could not forego.

At the war's end, the veterans of the wars with Germany and Japan were coming home, and all the dwelling places had been pre-empted by those who stayed at home. This was the shameful period when veterans were bringing up their little children in Quonset huts.

Here the new wave of post-war domestic spending started. It was fully justified to meet an emergency but in two or three years the emergency ended. Did Federal welfare spending stop? Of course not. New housing and

welfare programs were imposed on the emergency foundations.

Did people want new housing? Yes. Did they need new housing? Yes. Could they afford new Federal subsidies for housing? No.

LET us look at the hidden costs. Private industry was ready to build over a million dwellings a year. If that pace had been maintained for ten years or more, we should have made spectacular improvements in our cities, with no Federal spending whatever. Just as in the thirties, we got something second best at high cost, where self-reliance would have met the problem without incurring the debt.

Federal aid destroyed inventiveness. When Federal funds stimulate an artificially high rate of home construction, designs for dwellings and land use are frozen at the state of knowledge of the time. No one is pressed to find more ingenious or more economical methods because money is easy. The visible result of the false stimulation of post-war Federal housing is the ripping up of the countryside for ribbon developments, which already threaten to become new blighted areas.

The bill for this aid is not paid yet. It is still there. It is part of the Federal debt of nearly three hundred billions—not to mention the contingent debt. Federal aid is part of the high State and local debt. It appears in the loss of 52 cents out of every dollar which makes it necessary to spend \$2 in place of \$1 for everything we buy. And the home-owners still have to pay the mortgages for their dwellings.

Where did the Federal and local tax funds go? They went to the promoters, to the speculators in suburban and farm lands near the cities, and to construction of duplicate streets, sewers, schools in the suburbs.

Federal aid is like aid from a loan shark. It is easy to get but hard to pay back. It drags down the borrower like a millstone round his neck. And it puts an end to all borrowing for more productive purposes.

The pattern of American cities is everywhere becoming that of the decaying center, and the over-developed periphery, which though outside the tax zone, uses many costly city services.

Meantime the empty spaces left in the cities are being filled by politically stimulated migration of the most needy—from Puerto Rico and the rural South, especially, Negroes.

WHERE do our cities go from here? The answer of the "liberal" is of course more Federal aid. Just as the apparently obvious need of Federal relief for the needy in the 1930's affected city life in many unseen ways, so today's proposals for Federal aid will affect the complex living organisms we call cities in an infinite variety of unseen ways.

The all-important problem, in Federal aid for the sixties as for the thirties, is political.

The political ends are well understood by the advocates of big government. They want to replace the limited Federal system of the Constitution with a solar system in which the central Government grows into an ever-larger and more resplendent sun, and the States, cities, counties and private agencies fall into orbit in obedience to the gravitational pull of government subsidy. By whatever name we call it, the results are giantism at the top, and decay at the roots.

We fell into that trap in the thirties and ended with our monstrous debt, and the huge Federal bureaucracy. Why do it again?

The present-day spenders are proposing many ingenious ways to give money to the cities—with IOU's attached for repayment later. They are offering to help finance city construction of public works—streets, sewers, water supplies. They are offering to help the cities with plans for "depressed areas" within the city limits. They want to expand the function of "urban redevelopment" from housing alone to industrial and commercial reconstruction. They are offering funds for school construction, scholarships, teachers' salaries, vocational education, juvenile delinquency.

If they have their way—and only alerted citizens can stop them—the liberties of Americans in cities will have been forfeited to an all-powerful central Government. Freedom will be on its way to death.

Here is the rub. State and local governments can raise all the money they can afford to spend, but they have to do it by issuing bonds they agree to pay back. Of course it is easier at first to get their money from the Federal Government's promissory notes to the Federal Reserve System. There is a comfortable time lag before the weakness of that method shows itself in further reductions in the value of the American dollar.

THE question then is whether the people of the cities will wake up. Will they be satisfied with improvements they can afford, or will they follow the Pied Pipers of Federal aid at the price of their freedom?

It is time to repeat the old familiar statement—**The Federal Government has no money.** The only money it can give the cities is the money of their own people plus a high commission for collecting the money and spending it. The Federal Government now has a greater debt than it can really handle. The Treasury is having trouble selling bonds merely to repay old bonds as they come due. It is facing a dangerous crisis over its gold reserves. We have given away so much money to foreign governments that foreign banks have valid claims on nearly all the gold that is supposed to serve as reserves for our own money.

COMMON sense would indicate that the Federal Government should stay out of the business of lending or giving money to agencies of local government. But let us be clear about it—common sense will have nothing to do with the decision. The spenders

want the political power over the cities which they get by bringing gifts. They have nothing to lose.

It is part of the plan to obliterate or at least by-pass local government agencies as rapidly as it can be done. New Federal agencies will be scattered throughout the country, made to look like local government. This drive to weaken city and State institutions is a central part of the new political planning. Local agencies may still at any time be influenced by public opinion. So their role must be reduced.

That is where Metro comes in—to bring cities and their suburbs into a great, new, super-metropolitan area.

The city voters are going to be propagandized by campaigns telling them how badly they are treated, compared with rural areas or recipients of foreign aid. These emotional and angry masses will form the basis of a new political alignment, probably using the name of one of the old political parties.

The evidence pointing to such a new political alignment is clear enough, though slight as a spider's web. But when it becomes easy to see what is happening, it will be too late to act. The spending groups which today dominate our political life cannot stand still. They must be taking in ever more territory, or lose out. It is better for us to win the next war than relight the last one.

Now let us consider the communists.

The communists are great students of American institutions, not only their economic operations but the way they function politically. They study our institutions as a doctor studies physiology—no detail is unimportant.

The communists have given their best to help with the break-down of our cities. Just as soon as Federal relief was established, they saw their opportunity, and moved in.

From emergency relief, they moved into the broad welfare field. They put their people into key places in WPA, and used each step as a means to climb to the next step. They took over the WPA writers' projects, but that was only a step to moving into the foundations, the press, the magazines, the stage and radio, housing projects, and the schools and colleges. Everywhere they penetrated they sowed racial and religious conflict. They worked on the people at the base and at the top of the social pyramid. The middle classes are the last to fall.

In New York City they mapped every sewer and steam pipe and electric conduit under the streets. They know every inch of the harbor of New York and how its food supplies are brought in, just as they know the same things about Hawaii and Alaska.

Politically the communists used every step forward to help set up political factions and splinter groups, so they could force the old-line political parties into nominating only "liberals." With left-wing candidates on both political tickets, the voters are disfranchised as effectively as if the suffrage were abolished.



Migration of Puerto Ricans was encouraged as a means of keeping Marcantonio in Congress.

What they have done, they will do again, and do it better. Americans like to think all these drab experiences are past. Only the outer wrappings will be changed. The experiences will be repeated but with more finesse.

Today, the Khrushchev campaign, the talk of peace, and the "spirit of Camp David" are designed to serve many communist ends. One of them is to blur the fact that communist efforts to penetrate our society are going on as vigorously as ever. With the emphasis on peace, local communist activity has not become less important but more important. If the military means are put aside, temporarily, political organization and political power become more important.

The communists know exactly how to use the sickness of our cities for their own ends. We can see their hand in increasing racial bitterness, growing religious conflict, transfer of white children to schools far from their homes in the name of racial equality, the spreading influence of government over private employment and private housing. But that isn't all.

They will make a great to-do about over-representation of rural areas in the State legislatures, in Congress, and in the party organizations. But they do not want redistricting to go through. They prefer to keep grievances as a means of "agit-prop," to drive the city voters to bitter anger, so they will be more receptive to mass propaganda.

The communists are always hard at work in the financial jungles of Federal-State-city-private financing of housing, urban improvements, community facilities and area redevelopment. They know the great importance

of making private industry dependent on government spending.

The communists will help in the movement to obliterate the boundaries of State and local agencies and the extension of Federal authority over our cities. Whatever they gain is velvet.

We can wait and see their finished handiwork. Or we can learn, like the pioneers, to read sign language telling where the enemy is at work, and outwit them.

**W**HAT shall we do to be saved? Such simple things.

The cities cannot preserve their freedom unless they give up Federal loan-shark assistance. The cities need falling Federal budgets, absolute prohibitions against Federal deficit spending, an honest dollar, drastic cuts in taxes. The Federal-State-local financial jungle is the best cold-frame for multiplication of communists and other experts in achieving centralized government under their unrestrained control.

Then the people of the cities have to take up, and solve all the problems of urban development which have piled up since the 20th century opened.

The only improvements the cities will ever get will be financed from their own money. The question is whether they wish to collect and disburse that money themselves, or whether they will let the Federal planners collect their money, remake their cities and drag their people into permanent political subservience.

We have a reserve of able and responsible people who can rise up and free our cities, whenever they wish to wake up.

Men and women of America, what are you going to do?

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